RESEARCH HIGHLIGHT

November 2006 Socio-economic Series 06-023

Seniors' Housing for Seniors: A Feasibility Study

INTRODUCTION

Public discussion and debate on seniors' housing needs tend to focus on the development of new housing, particularly condominiums or retirement homes. However, there has been very limited discussion and research on the preference and interest of seniors (people 55 years old or more) in converting the stock of housing, which they own and occupy, to create secondary suites (that is, self-contained apartments, within existing single family homes).

Earlier research on seniors housing indicates that the vast majority of seniors live in private households, not collective dwellings, and that most reside in owner-occupied, detached houses. It also indicates that seniors generally choose to live in housing and neighbourhoods with which they are familiar. They prefer, if possible, to age in place (that is, to continue to live independently in their homes and neighbourhoods for as long as possible).

Converting the housing stock which seniors own and occupy to create secondary suites can have potential benefits for seniors and the neighbourhoods in which they live. For example, it can enable seniors to continue to live in their homes for as long as possible, and to tap into their homes to better meet their changing housing, economic and support needs. It can also help generate neighbourhood diversity and sustainability. Owner-occupied houses with secondary suites are more likely to encourage people of different incomes and backgrounds, in various stages of life, to live in the same neighbourhood.

OBJECTIVES

The overall objective of the study was to determine the feasibility of converting single-family housing, owned and occupied by seniors, into multiple units to allow these seniors to age in place.[1] The specific objectives were to:

1. Estimate the interest of senior homeowners in renovating or converting their current homes to include secondary suites.
2. Outline the financial and renovation implications of conversion.
3. Identify the regulations and zoning which affect conversion.

The study was partially funded by CMHC's External Research Program and conducted by The Council on Aging of Ottawa.

METHODOLOGY

The methodology involved three stages of data collection and analysis.

The first stage was the selection of two neighbourhoods in Ottawa in which homeowners, 55 years old or above, represented a significant percentage of homeowners, and where the housing stock was sufficiently large to allow the creation of secondary suites. Two neighbourhoods were chosen: one in the older part of the city, Old Ottawa South, and one in an older suburb, Beacon Hill North.[2] A random poll (by telephone) was conducted among senior homeowner households (in both neighbourhoods) to determine their interest. The researchers were successful in reaching a total of 626 households (104 per cent of the goal). A total of 187 senior homeowner households responded to the survey.[3]

---

[1] The study also explored the potential of garden suites and in-fill housing as alternatives to secondary suites, particularly in the focus groups with renovators, builders and housing specialists, but they were not the focus of the study. A garden suite is a small, prefabricated and self-contained home that is placed on the lot of an existing single-family detached house. Garden suites and in-fill housing were not options seriously considered by the seniors who participated in the interviews.

[2] Old Ottawa South is located between the Rideau Canal and the Rideau River. Bank is the principal commercial street. Beacon Hill North is located between Montreal Road and the Ottawa River, east of Blair Road, to Shefford Road.

[3] However, the numbers that responded to each question differed. In some cases, questions did not apply to every household; in others, respondents did not provide information.

Canada

CMHC SCHL
HOME TO CANADIANS

In general, the houses in Old Ottawa South were brick. They were built primarily in the 1920s and 1930s. The houses in Beacon Hill North were built in the 1960s and 1970s. They were a mix of wood and stucco with some brick veneer. Respondents from Old Ottawa South occupied a larger proportion of three-storey houses and Beacon Hill North respondents occupied a larger proportion of one-storey houses.

The second stage of the study involved interviewing 17 senior homeowners within the two neighbourhoods, and assessing the potential for conversion into multiple units, particularly with respect to secondary suites. The interviews explored the interest of homeowners in renovating, or converting their houses to multiple units, and asked willing homeowners to invite a renovator to assess the financial implications of the renovations they were considering. Each of the interviews was taped with the permission of the interviewees. Two interviewers were present at each of the interviews. Of the 17 interviews which were completed, 15 are reported here. Two interviews could not be included due to the malfunctioning of recording equipment.

The third stage, which regarded regulations and zoning, was conducted through focus groups with representatives from the private sector (builders, renovators, real estate specialists) and the public sector (representative staff from the planning and development department of the City of Ottawa). Twelve persons from the private sector and four staff members from the City of Ottawa participated in the focus groups.

The renovation and sub-division of older housing into two or more units depend, not only upon the interest of homeowners, but also upon the willingness of municipal government to allow secondary suites within older houses or garden suites, and in-fill housing on the property of older units in established neighbourhoods. In the city of Ottawa, until very recently, the addition of secondary suites required homeowners, in many neighbourhoods, to apply for a variance to use their land in a way which did not comply exactly with the requirements of the zoning bylaw.

In September 2005, however, the municipal council approved a bylaw to allow secondary suites to be built in all areas of the city except the Village of Rockcliffe Park. At the same time, it did not change the regulations with regard to garden suites or in-fill housing, which still require a homeowner to apply for a variance. It was in this context of deliberating on, and changing, municipal policies that the researchers met with representatives from the private and public sectors.They discussed ways in which the City of Ottawa could respond to homeowners who, now or in the future, would be interested in renovating their houses or subdividing their property to create two or more units.

FINDINGS

1. The interest of senior homeowners in renovating their current homes to include secondary suites

Thirty-five, or 19 per cent, of the study respondents showed some openness to multiple occupancy, including the creation of secondary suites. Six, or 3 per cent, had already subdivided their houses into two or more units for purpose of occupancy—primarily for family members. Among those who had not already subdivided their home, 21, or 12 per cent, were willing to consider it in the near future and 6, or 4 per cent, said they might.

The respondents' homes were relatively large; most of them, 6 per cent had nine rooms or more, and only 3 per cent had five rooms or less. Hence, there would appear to be plenty of scope for renovation for multiple occupancy. However, there were important differences between the two neighbourhoods. Beacon Hill North had a higher proportion of homes with nine or more rooms than Old Ottawa South; Old Ottawa South had a higher proportion of homes with six to eight rooms than Beacon Hill North.

A large number of basements also had potential for renovation. At the time of the survey, 59, or 32 per cent, of the basements were already finished. They were properly insulated, plumbed and wired for occupancy; they contained a bathroom so that they could be used for recreation, a family room, bedrooms or other everyday uses. Another 75, or 40 per cent, were partially finished. A larger proportion of basements was finished in Beacon Hill North (39 per cent) than in Old Ottawa South (21 per cent), reflecting, in part, the age difference of the housing in the two neighbourhoods.

Of the 187 respondents, 39 per cent were aged 55 to 64, 36 per cent were 65 to 74 and 22 per cent were 75 or over. Again, there were differences between the two neighbourhoods. The percentage of respondents who were 75 or over in Old Ottawa South (33 per cent) was larger than in Beacon Hill North (14 per cent). The percentage of respondents who were 65 to 74 was larger in Beacon Hill North (44 per cent) than Old Ottawa South (24 per cent).

In terms of household size in both neighbourhoods, the majority (65 per cent) were living in two-person households. Eighteen per cent were living alone, 10 per cent were in three-person households and 6 per cent were in households of four or more.

Forty per cent, 73, had incomes of $60,000 or over, which would give them a reasonable degree of financial capability to renovate their houses if they chose to do so. Another 18 per cent, 33, reported incomes between $40,000 and $59,000 and at the other end of the scale, 12 per cent, 21, reported incomes less than $40,000. The lower income households would be unlikely to undertake renovation

without grants or other forms of assistance. Thirty-one per cent of survey respondents, 56, did not provide information about their incomes.

2. The financial and renovation implications of conversion

The purpose of the question on the financing of renovations was to gain an idea of whether the interviewees would finance renovations through personal savings, loans or grants. While two said that they might draw on their savings if the renovations were modest, no one was willing to rely exclusively on them. Either bank loans or mortgages were the preferred option. Three said that they could do little or nothing if they did not have access to grants.

Mortgaging or taking out a loan against the house was the preferred option of ten of the interviewees who had sufficient income to absorb the costs or were willing to pass them on to future tenants. The idea of a reverse mortgage appealed to only one interviewee. Others who were familiar with the concept reacted quite negatively.

None of the interviewees gave much weight to the idea of a partnership with a property or financial manager to oversee costs and revenues. One said that she might partner with her son-in-law who was an accountant and could help her with finances. The management of costs and revenues was not generally a major concern. Since most of the interviewees had already been engaged in some renovation, they knew what to expect and how to manage finances.

The implications for renovation were more complicated. Eight of the people interviewed had already renovated their homes but primarily for upgrading or adapting them for personal or family needs, not to subdivide for rental purposes. Nor did any of the interviewees expressed an interest in subdividing their homes in the immediate future, although six indicated that they might subdivide, if needed, to supplement their income. In other cases, the interest in renovations appeared to be for personal reasons or to accommodate other members of the family.

Three of the single women stated that their interest in renovating or subdividing their house was to have companionship or shared accommodation rather than to assist them financially. It appeared that none of the people interviewed was under enough financial pressure to force them to subdivide; all were very cautious about undertaking major renovations even if they thought they could recoup some of the costs through future rentals.

According to interview respondents, both Old Ottawa South and Beacon Hill North seemed to provide the necessary conditions as neighbourhoods to enable seniors to age in place. In Old Ottawa South, interviewees regularly talked about the advantages of being near the river, local parks and readily accessible shopping, as well as having friendly neighbours. Some stressed the importance of having a library, recreational facilities and places to walk. Unlike Old Ottawa South, shopping in Beacon Hill North was not easy walking distance for most residents. Although there is ready availability of public transit, most interviewees used a car to get to stores.

One major difference in the responses of people in the two neighbourhoods related to their priorities regarding renovation. In general, residents of Old Ottawa South outlined renovation plans in terms of the upper floors of the house, whereas residents of Beacon Hill North talked about renovating, or creating, independent access to their basements. The priorities reflected, in large measure, the age, condition and type of the housing.

The priorities for renovation/subdivision in Old Ottawa South were usually stated in terms of modifying existing rooms, subdividing floors and creating separate access to individual units. Frequently, the proposals were quite modest, partly because of a concern about large expenditures but also because of a reluctance to give up privacy and space.

Perhaps the easiest part of future planning to consider was whether they would employ a contractor or try to do the renovations themselves. While there were a few who said that they could handle the renovations themselves, or combine their own efforts with sub-contractors, most stated quite emphatically that they would hire a contractor. This response was uniform across both neighbourhoods.

With respect to the openness of seniors accommodating other seniors, 12 of those interviewed were partial to accommodating strangers but three wanted to rent only to their family or friends. Among those who were open to renting part of their house to strangers, there did not seem to be any concern about renting to other seniors provided they were independent.

At the time of the interviews, all of the owners in both neighbourhoods managed and maintained their property either by themselves or with the assistance of family members. If the houses were subdivided or renovated to accommodate others, however, slightly more than half of the interviewees, 8, felt that they would need assistance with maintenance in the future. Some of the interviewees also appeared to be suffering from a certain level of maintenance fatigue since they had been taking care of their property for a very long time.

Aside from maintenance, the researchers also asked interviewees how they would cope with the management of tenants after renovation. No one saw it as an issue. In fact, few even addressed the issue. One main reason why it was not a concern was due to the amount of renovation/subdivision which they were considering. It was generally small scale and would usually involve one or two tenants. Another

reason was a feeling that they could select tenants whom they thought were responsible and friendly.

Six of the 17 homeowners who were interviewed agreed to an assessment of renovation costs to upgrade their house for multiple uses —four from Beacon Hill North and two from Old Ottawa South. The estimated costs of the renovations varied from a minimum of $15,730 to a maximum of $43,325, exclusive of taxes. Five of the six renovations involved modifications of basements to create self-contained suites or to complete basements which were partially finished. One renovation involved an extension to the main floor.

The most expensive renovation assessment was for an extension on the main floor to enlarge the kitchen and create a laundry room, which, in turn, would free up the basement for occupancy. The cost was high because it included the addition of a full foundation and crawlspace. It also would require a minor variance in existing by laws because of setback requirements from the property line.

3. Regulations and zoning which affect conversion

Private Sector

Representatives from the private sector were asked to discuss three sets of interrelated issues:

- property values
- challenges for homeowners
- regulations/zoning.

Property values

The questions about property values focused on the impact of secondary suites on the price and demand for housing. Since some of the interviewees were concerned about the cost of renovations or subdividing their property, we asked renovators, builders and real estate specialists what they thought. In general, they confirmed that the full cost of secondary suites was not necessarily reflected in the re-sale value of the home, partly because renovations of old houses were more costly than new construction, and partly because tastes and trends in renovation were continually changing.

With respect to the advantage or disadvantage of selling homes with secondary suites, they noted that many variables, beside the availability of a secondary suite, influenced sales. For example, they thought that secondary suites were more accepted or popular in big cities like Toronto and Vancouver than in Ottawa. They also thought that the value of the secondary suites was greater in some neighbourhoods than others.

In Ottawa, this meant that resale of units with secondary suites would likely be stronger in older, centralized areas of Ottawa, like the Glebe or Old Ottawa South than in Beacon Hill North. Similarly, they thought that the presence of homes with secondary suites could positively or adversely affect neighbourhood housing prices, depending upon whether people were comfortable in purchasing homes in areas with tenants.

Challenges for homeowners

Commenting on the challenges of building secondary suites, renovators, builders and real estate specialists noted that homeowners could probably keep costs down by renovating basements rather than introducing secondary suites into the upper floors of older homes. They also thought that homeowners might not be aware that they could deduct some of their expenses from their income taxes. In terms of the financing options, they said that, in their experience, senior homeowners did not like the idea of reverse mortgages.

They also related that men and women responded somewhat differently to the idea of a secondary suite, with men more likely to be open to the possibility. In terms of financial assistance for suites, they thought that while it was useful to bring to the attention of homeowners the availability of grants, such as the ones offered under CMHC's Residential Rehabilitation Assistance Program (RRAP), it would be more important to emphasize that tenants would be eventually paying for the cost of the renovations through their rent payments.

Regarding homeowners' concerns about vacancies or unacceptable tenants, these respondents noted that the quality of the tenants depended, in part, on the features of the neighbourhoods and that homeowners living near colleges, universities or hospitals, for example, would find it relatively easy to rent a secondary suite. In their judgment, the concerns of older homeowners about vacancies and tenants could be addressed by one-stop property management shopping services. They realized, however, that the notion of one-stop shopping services needed to be promoted.

As to the notion of "aging in place," they thought that most seniors would be very cautious about adding secondary suites because of uncertainties associated with financing, dealing with tenants and vacancies, as well as issues of security. However, they thought that baby boomers might be more open to the development of secondary suites, especially as other housing alternatives for their aging parents might be more expensive.

Regulations/zoning

The renovators, builders and real estate specialists were generally positive about the new by law of the City of Ottawa which permits

the development of secondary suites throughout the city (with the exception of Rockcliffe Park). They thought also that it was necessary to have politicians and neighbourhood associations on side to promote the concept.

To assure the long-term viability of secondary suite development, they also felt that it was necessary to build to high standards to assure adequate privacy, noise and smell abatement. In some cases it might be necessary to build to higher standards than the existing building code. They recognized that the new bylaw does not include garden suites or in-fill housing since both fall under other building regulations. In their own experience, there was not much demand for garden suites but there was a definite need for in-fill housing in older neighbourhoods.

Public Sector

City of Ottawa officials confirmed that while there was a new bylaw to allow and encourage the development of secondary suites, there was no equivalent bylaw for garden suites. Like in-fill housing, the building of garden suites involved obtaining a variance from existing bylaws from the City's committee of adjustment. They also said that presently, there was no demand for garden suites but that there were requests from time to time for in-fill housing in older neighbourhoods.

With respect to secondary suites, they said that they were not aware of a NIMBY (not-in-my-back-yard) backlash, perhaps because the impact, to date, had not been high since the demand for secondary suites had not increased significantly. With increased demand, they recognized that concerns might arise in some high-income areas.

Under the new bylaw, secondary suites are permitted if:

- they encompass no more than 40 per cent of the gross area of the principal building
- there is a maximum of one per dwelling
- they do not change the character of the street (including the front entrance of the house)
- no additional parking space is required.

Officials were asked how realistic these conditions were for areas like Old Ottawa South. They said that they did not anticipate any major problems.

City officials recognized that additional side access was not always possible for houses built in the early part of the twentieth century. For that reason, interior shared entrances in the front of the house might have to be provided in older neighbourhoods.

Equally, they did not think that mixed uses of secondary suites for business and residence would be a problem, provided that the unit was primarily for residential use, and neighbours did not complain because of increased traffic due to the business. They said that signage was also possible for home-based businesses, provided it was modest and consistent with the character of the area.

Officials thought, and the City documents stated, that the addition of secondary suites would not likely have a significant impact on property taxes because the addition of secondary suites did not require changes in the existing house, except for entrances and upgrades, for example, in plumbing, electricity, smoke alarms and emergency lighting. However, the new secondary suites had to be built to standard with appropriate fire retardants according to the age of the house—30 minutes if the house was over five years old and 45 minutes if five years or less.

Two other questions were asked of City officials—whether garden suites or in-fill housing could be built under the new secondary suite bylaw, and what impact, if any, the multiplication of secondary suites would have on the existing city infrastructure. They stated that the secondary suite bylaw did not apply to garden suites and in-fill housing—thereby confirming the understanding of renovators, builders and real estate agents to whom we spoke—and that contractors would have to be aware of the relevant standards and regulations which applied to such development. Unlike secondary suites, the building code would apply to all aspects of a housing unit built as a garden suite or for in-fill. As to existing infrastructure, they did not foresee a problem arising because of the addition of secondary suites—partly because the older infrastructure was gradually being replaced in the city, partly because the increase in population was not likely to be significant.

CONCLUSION

The key findings of the study include the following.

- Up to 19 per cent of senior homeowners showed some openness to multiple occupancy, including the creation of secondary suites in their home.
- There is significant scope, in neighbourhoods like Beacon Hill North and Old Ottawa South, for renovation and the creation of secondary suites in terms of the size of houses.
- A high percentage of respondents judged their basements to have particular potential for renovation and occupancy.
- Homeowners were generally not receptive to financing renovations through reverse mortgages; they preferred loans or regular mortgages.
- Women expressed an interest in sharing their house for purposes of companionship but were cautious about creating secondary suites for strangers because of concerns about security or managing

tenants.

- All persons interviewed were cautious about investing a lot of money into their home even if there was a potential long-term return.
- Among the homeowners who were open to renting to strangers, there was no concern about renting to seniors, provided they were independent.
- City of Ottawa regulations have been modified to accommodate secondary suites but not for garden suites or in-fill housing.
- Builders, renovators and real estate specialists thought that secondary suites would do well in some neighbourhoods but not in others.
- Homeowners could keep costs down by renovating basements for secondary suites rather than upper floors.
- "One-stop" shopping services for total property management (including all aspects of design, development, maintenance and management of secondary suites) would be of value to homeowners who were cautious about building secondary suites because of renovation or tenant concerns.
- City officials felt that it was too early to gauge the impact of the new bylaw that permits the creation of secondary suites in existing housing.
- To date, in Ottawa, there appears to be little demand for garden suites but there seems to be some need for in-fill housing in older neighbourhoods.

RECOMMENDATIONS

Based on the survey and interviews with senior households, focus group discussions with builders and real estate specialists, and City officials, the researchers recommend the following.

1. That further study be undertaken to determine the potential for the development of secondary suites among senior households in different cities in Canada.
2. That municipal governments educate and inform senior homeowners of the opportunities and advantages of developing secondary suites.
3. That senior governments more actively inform senior homeowners about the grants which are currently available to develop secondary suites.
4. That builders and renovators promote the development of one-stop shopping services that can assist senior homeowners in matters relating to financing, designing, building, maintaining and managing secondary suites.

CMHC Project Manager: Luis Rodriguez, Policy and Research Division

Research Report: *Seniors' Housing for Seniors: A Feasibility Study*

Principal Investigators: Glenn Drover and William Wade, The Council on Aging of Ottawa.

This project was funded (or partially funded) by Canada Mortgage and Housing Corporation (CMHC) under the terms of the External Research Program (ERP), an annual research grant competition. The views expressed are the personal views of the author(s) and do not represent the official views of CMHC. For more information on the ERP, please visit the CMHC website at **www.cmhc.ca** or contact the Project Officer, Responsive Programs by e-mail at erp@cmhc-schl.gc.ca, or by regular mail: Project Officer, Responsive Programs, External Research Program, Policy and Research Division, Canada Mortgage and Housing Corporation, 700 Montreal Road, Ottawa ON K1A 0P7.

To find more *Research Highlights* plus a wide variety of information products, visit our website at

www.cmhc.ca

or contact:

Canada Mortgage and Housing Corporation
700 Montreal Road
Ottawa, Ontario
K1A 0P7

Phone: 1-800-668-2642
Fax: 1-800-245-9274

©2006, Canada Mortgage and Housing Corporation
Printed in Canada
Produced by CMHC 30-10-06

Although this information product reflects housing experts' current knowledge, it is provided for general information purposes only. Any reliance or action taken based on the information, materials and techniques described are the responsibility of the user. Readers are advised to consult appropriate professional resources to determine what is safe and suitable in their particular case. Canada Mortgage and Housing Corporation assumes no responsibility for any consequence arising from use of the information, materials and techniques described.

6530B